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## What Rental Hyperinflation Looks Like: "Soaring Prices. Competition. Desperation." - Activist Post

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By [Tyler Durden](#)

Having previously covered the record surge in rents ([here](#) and [here](#)), which represents a dramatic reversal from last year's rental plunge, overnight Bloomberg did an in-depth look into the rental market, and its findings – which won't come as a surprise to anyone – can be summarized as follows: "soaring prices, competition, desperation" as the bubble facing homebuyers is rapidly spilling over into the rental market.

Unlike previous years where the rental frenzy was focused on some of the largest cities, this time landlords from Tampa, Florida, to Memphis, Tennessee, and Riverside, California, are jacking up rents at record speeds. And similar to home sales, for each listing, multiple people are apply, forcing some renters to check into hotels while they hunt after losing out too many times.

The following quote from Tampa realtor Shannon Dopkins summarizes the prevailing market frenzy: **"Any desirable rental is going within hours, just like the desirable sales.** One woman

passed on a place that was beat up with water damage. Somebody else decided to rent it."

After a sharp slowdown last year when many young people rode out lockdowns with family, the rental market is now seeing record demand (although that too may reverse again if there is a new round of lockdowns), there has been a just as aggressive reversal in the market, as the number of occupied rental-apartment units jumped by about half a million in the second quarter, the biggest annual increase in data going back to 1993, according to RealPage.

Occupancy last month also hit a new high of 96.9%, **which helped rents on newly signed leases to surge 17% in July when compared to what the prior tenant paid, reaching the highest level on record.** One look at the chart below and most renters will be praying that the Fed is right that inflation is "transitory."

A key reason for this record, price indiscriminate scramble for rentals is that the for-sale market is even crazier. Since people need to live somewhere, amid soaring prices and even more aggressive bidding wars in the for-sale market, would-be home buyers who end up getting the short stick are being forced back into rentals.

Adding to the concurrent demand, young Americans are also looking for their first apartment are competing with others who delayed plans because of Covid-19. Meanwhile, an army of remote workers and their high paychecks, are moving to lower-cost areas. And small single-family home and condo landlords, tempted by high prices, are cashing out, leaving their tenants desperate for another place.

"The entire housing market is on fire, across the board from homeownership to rental, from high-end to low-end, from coast to coast," said Mark Zandi, chief economist for Moody's Analytics. "It's a basic need but it's increasingly out of reach."

Unfortunately for would be renters it gets even worse, as compounding the demand-driven price surge is a sharp drop in available supply thanks to eviction bans: whereas normally 6% of tenants are forced to vacate each year, the current eviction moratorium has meant that there is that much less supply, the result logically being even higher prices.

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And then there is Wall Street, which is quietly gobbling up any available rental properties with the sole intent of pushing prices even higher (see "[Blackstone Bets \\$6 Billion on Buying and Renting Homes](#)")

It all adds up to what Mark Zandi, **said is the worst shortage of affordable housing since at least the post-World War II period.**

To be sure, smelling a revenue bonanza, developers are adding new supply, but it will take months if not years before the new rental properties hit the market. In the meantime, the squeeze will have economic consequences because workers can't easily move for jobs and will have less to spend on things other than housing.

Soaring rental costs also of course a contributor to the Federal Reserve's inflation expectations. However, as even Bloomberg now admits, they "may not yet be accurately reflected in some measures." Owners' equivalent rent of residences, which makes up almost a quarter of the consumer price index, rose just 2.4% in July from a year earlier according to the Fed.

That figure "lags the reality" because it's based on a survey of homeowner expectations about what their home would rent for, Zandi said. A figure derived from real-world prices, such as the one compiled from [Apartment List](#), indicates that rents are actually rising at least twice as fast as what the government is representing, and are currently soaring at a roughly record 5% annualized pace in July.

But of course, the government and especially the Fed would be the last to admit the hyperinflation in the rental market: doing so would have forced the Fed to end its QE long, long ago.

And yes, we don't use the term "hyperinflation" lightly: while the rental surge is hitting those who sign new rents the hardest, even people renewing leases are getting sticker shock. Take Carmen Santiago, a dental assistant, who was paying \$1,479 a month for a two-bedroom apartment in Tampa, gave notice to her landlord in March after the rent jumped by \$300.

The mother of two profiled by Bloomberg, then racked up more than \$1,000 on non-refundable application fees that she handed to about 10 landlords, sometimes getting in line without even seeing the properties first. A couple days before her lease expired in June, Santiago took a last-ditch drive. She visited five apartment complexes, all filled. The sixth, a vast complex with 22 buildings, had one unit available.

The two-bedroom cost more than \$1,900 a month, including a mandatory cable bill — **more than Santiago would have paid if she renewed her old lease.** But in the end she paid, even though she could hardly afford it before it was gone.


"I didn't know how hard it was to find something," Santiago said. "Looking back, maybe I should have stayed."

And as long as people continue to willingly pay the exorbitant rates that landlords demand, the pricing insanity will remain.

Yet nowhere is the pricing surge greater than in the Sun Belt cities that have seen an influx of arrivals from the pandemic amid an exodus from progressive liberal bastions as New York and San Francisco. The Phoenix area had the country's biggest increases in rents for single-family houses in June, with an almost 17% surge from a year earlier, according to data released this week from Corelogic. It was followed by Las Vegas, with a 12.9% gain; Tucson, Arizona, at 12.5%; and Miami, up 12.4%.

As noted above, the surge in small cities marks a reversal from the pre-pandemic norm of tight housing in denser, pricier cities — places such as New York, Boston and San Francisco, which saw office workers flee during lockdowns. Those areas still have an overhang of inventory of high-end apartments aimed at white-collar professionals.

Still, demand is picking up, and since renters now crowding the market have higher salaries, in part, because many of them, in normal times, would be buying homes instead, landlords can hike prices generously.



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But whereas smaller cities may represent a bargain to a New Yorker used to paying \$3,000 for a 500 square foot shoebox, migration away from the pricey locations is especially painful for locals, whose housing costs are being driven up disproportionately, especially those in more affordable cities and in far-flung suburbs. The average income for new lease signers in July hit a record of \$69,252, according to RealPage, which captured data for professionally managed buildings. Year-to-date, their incomes shot up 7.5%.

"It's always been hard to find a home if you have limited income," said Jay Parsons, deputy chief economist for RealPage. **"What's crazy now is you can have a relatively high income and still have a hard time."**

That's because the for sale market is an even bigger bubble. Nicolle Crim, vice president of Watson Property Management's Central Florida division, told Bloomberg she wished she had more to offer. But the for-sale market is so strong that owners are selling for big profits. As a result, Watson now manages about 4,000 single-family home rentals for individual owners, down by a third since the pandemic began, she said. Even relatively sleepy areas such as Springfield, Illinois, three hours from Chicago, are experiencing shortages. Landlord Seth Morrison said his only apartment listing attracted a couple dozen calls before he took it down.

Finally, if one looks at just rental price increases as an indication of metro prestige, then the number one most desired city in the US is Boise, Idaho where according to [Apartment List](#) the rental increase since March 2020 is **39%** and rising.

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